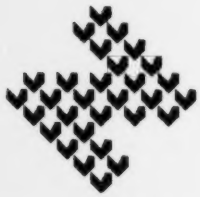

Newfoundland and Labrador
Housing Corporation

Annual Report

2004-05

Vision

Newfoundland and Labrador Housing Corporation's vision is of safe and affordable housing for all residents of the province.

Mission

To improve the housing circumstances of low-income citizens through programs and services that assist renters and homeowners.

Mandate

Newfoundland and Labrador Housing Corporation's (NLHC) mandate is to develop and administer housing assistance programs for the benefit of low-income households. In fulfilling this mandate, NLHC works in close co-ordination with various provincial government departments and numerous community-based organizations.

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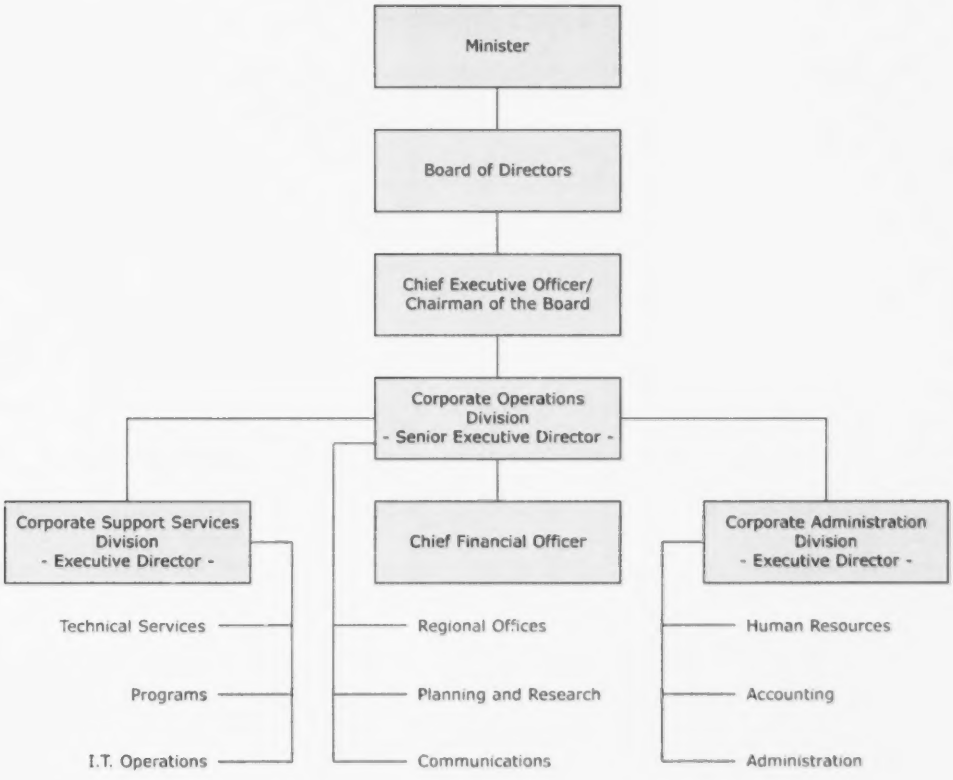
The Organization

Newfoundland and Labrador Housing Corporation (NLHC) is a provincial crown corporation which operates under the authority of the Housing Corporation Act. It has responsibility for the implementation of government's overall public housing policy and programs. The corporation is governed by a board of directors appointed at pleasure by the Lieutenant Governor in Council and reports to the Government of Newfoundland and Labrador through the Minister of Human Resources, Labour and Employment, Responsible for Housing. The Chairman of the board serves in a dual capacity as Chief Executive Officer and is responsible for NLHC's day-to-day operations.

The corporation's head office is located in St. John's, and its policies and programs are administered through seven regional offices located in St. John's, Marystown, Gander, Grand Falls-Windsor, Corner Brook, Stephenville and Happy Valley-Goose Bay. It has a staff complement of 304 permanent and temporary positions and employs an additional 64–75 employees on a seasonal basis. Approximately 60 per cent of the staff complement are located in St. John's where 60 per cent of the corporation's housing portfolio is also located. This regional administrative structure ensures all residents of the province have access to the programs and services provided through NLHC by the Government of Newfoundland and Labrador.



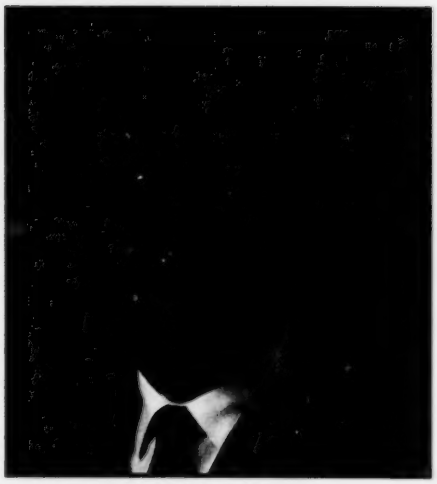
Letter to the Minister

Dear Mr. Skinner:

On behalf of the Board of Directors, I have the honour of presenting to you the Annual Report of the Newfoundland and Labrador Housing Corporation, including the audited statement of accounts, for the fiscal year ended March 31, 2005.

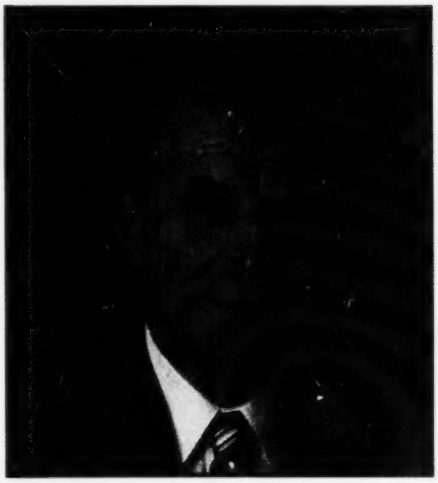
Sincerely,

LEN SIMMS
Chair and Chief Executive Officer



Honourable Shawn Skinner
Minister

Message from the Chairman



Adequacy of housing has long been identified as a determinant of health and general well-being. As a corporation, our mandate is "... to develop and administer housing programs for the benefit of low-income households" — sounds simple enough, yet it's so much more. Newfoundland and Labrador Housing strives to ensure that its mandate becomes a reality.

We strive to be open and understanding of the needs and opinions of our clients, our partners and the public we serve.

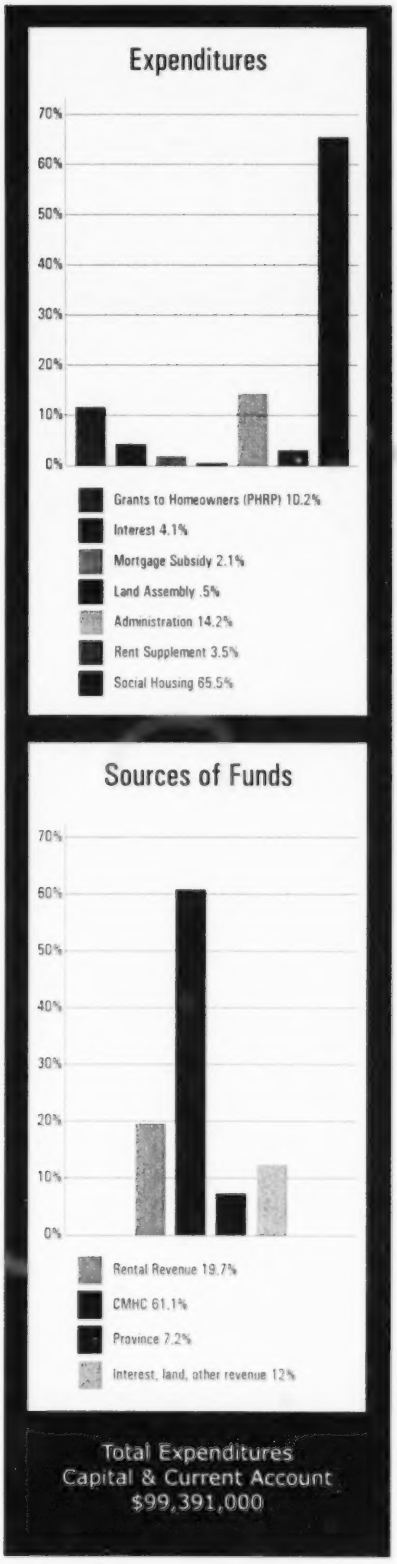
British novelist, Evelyn Waugh, once wrote "Change is the only evidence of life." At Housing, we choose to face changes and challenges and turn them into opportunities for self-reflection and continued improvement of ourselves and our operations.

We are proud that our efforts help to support and energize communities and can contribute to the physical, mental and social well-being of people most vulnerable in our province. With the continued commitment of our staff, government and community housing partners, we look forward with enthusiasm to the year ahead.

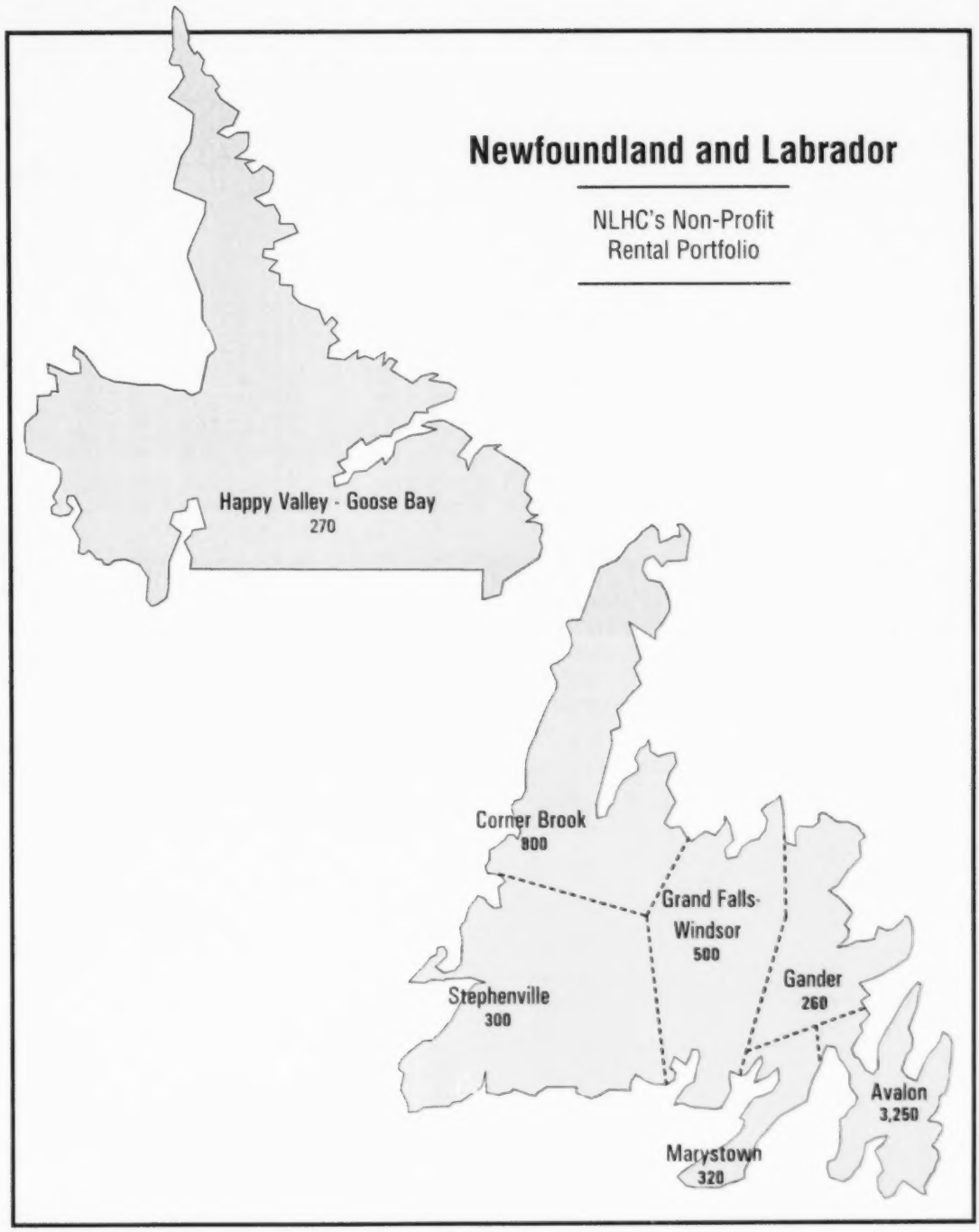
Len Simms
Chair and
Chief Executive Officer

Corporate Profile

Total subsidized households served in 2004-05		12,400
	Subsidized NLHC rental housing units	5,700
	Subsidized Community housing units	4,900
	Subsidized Rent Supplement units	1,000
	Subsidized Mortgage units	800
Private Non-Profit partnerships formed since 1986		100
Federal/provincial funding provided to community-based housing groups in 2004-05		$10.3 million
Funding to be provided to community-based housing groups over the next five years under the federal/provincial social housing devolution agreement		$51.5 million
Grants and loans were provided to homeowners under the Provincial Home Repair Program (PHRP) to effect critical repairs in 2004-05		$10.1 million
Mortgage loans on repayment		800
These loans are valued at		$16.4 million
Home repair loans on repayment		4,724
These loans are valued at		$20 million
Maintenance, repair and renovation expenditures on NLHC rental units in 2004-05		$12.4 million
NLHC-funded tenant associations as of 2004-05		33
Community Centres operating province-wide and serving approximately 1,400 families and 5,600 individuals		7



Regional Map



Core Business Lines

NLHC and its federal partner, Canada Mortgage and Housing Corporation (CMHC), continue to cost-sharing housing assistance programs and services which address the needs of low-income seniors, non-elderly singles, families, Aboriginal people and disabled individuals throughout Newfoundland and Labrador.

SOCIAL HOUSING

The objective of the Social Housing business line is to provide subsidized rental accommodation for those whose housing need is greatest. In pursuing this business line, NLHC operates 5,700 units of public rental housing. Most of this housing stock was constructed from the 1950s to the early 1980s. In the current fiscal environment, our major challenge is the cost of maintaining, modernizing, and adapting these aging housing resources to meet today's needs.

- Non-profit Rental Housing:
  NLHC owns and administers approximately 5,700 social housing units throughout various regions of the province, with the greatest concentration of units located in St. John's (3,300) and Corner Brook (805). Low-income earners are the beneficiaries of the program with rental rates based on 25-30 per cent of monthly income. Approximately 27 per cent of units are occupied by pensioners. There are an estimated 14,000 individuals housed in NLHC units under this program.

  During 2004-05, NLHC and CMHC provided $28 million to subsidize this program. Approximately $46 million is spent in operating costs, and $18 million is received in rental revenue.

  Each year, NLHC invests in the extended life of its current housing stock through its Maintenance and Modernization and Improvements plans. Approximately $7.6 million was spent on annual maintenance for the corporation's social housing portfolio in 2004-05. Another $4.6 million was spent on modernization and improvement work such as roofing, windows, siding and electrical upgrading.

- Rent Supplement Housing:
  NLHC provides a rent supplement program to help low-income households obtain suitable private-sector rental housing in cases where NLHC cannot meet this need through its social housing portfolio. Under a rent-geared-to-income formula, NLHC assists low-income households bridge the gap between the private market rate and their capacity to pay. Approximately 1,000 such rental agreements, housing 1,500 individuals, are funded by NLHC, primarily in St. John's and Corner Brook. In 2004-05, $3.5 million was used to ensure rental accommodations in the private market remained affordable. In recent years, low vacancy rates and escalating rents have challenged NLHC's efforts to maintain access to this housing option and have also resulted in increased demand for public housing units.

- NLHC Community Centres:
  The corporation provides annual operational support for seven community centres and 33 tenant associations province-wide. In 2004-05, NLHC provided approximately $676,000 in operational support funding for these centres and tenant associations. This funding is allocated as part of NLHC's Non-Profit Rental Housing operating costs.

HOUSING SUPPLY ASSISTANCE

The objective of the Housing Supply assistance business line is to improve and expand the supply of residential units for households with low incomes. This business line delivers two kinds of housing supply assistance — forgivable loans which enable property owners to make critical repairs or modifications to residential dwellings and forgivable loans to public, private and non-profit organizations to stimulate the development of new affordable rental housing stock. The Housing Supply Assistance business line contributes to meeting the basic housing needs of our communities, by helping to ensure the supply of quality, affordable modest housing.

- Provincial Home Repair Program (PHRP):
  This is a 50/50 federal/provincial cost-shared initiative which is administered by NLHC. Low-income households are assisted with modest assistance levels to improve their dwellings. This program primarily benefits seniors living in rural areas of the province. The average homeowner recipient is 61 years old, has an annual income of $13,000 and occupies a 41-year old house. During 2004-05, NLHC provided $10.1 million in assistance to over 2,000 households province-wide. Of this funding, $7.7 was provided in the form of forgivable grants, and $2.4 million was made available through repayable loans.

- Affordable Housing Program:
  In May 2003, the Canada-Newfoundland and Labrador Affordable Housing Agreement was signed. The five-year $30 million agreement is cost-shared 50/50 with the federal government and administered through NLHC and Canada Mortgage and Housing Corporation. The principal objective of this program is to stimulate the development of affordable rental housing in the public, private and non-profit sectors for low-to-moderate income households. Under Phase 1 of this program, the province's priorities are rental housing for seniors and supportive housing for persons living with mental, developmental or physical health needs, who require supports to live independently in the community. Phase 2 is currently being negotiated.

- Mortgage Program:
  During 2004-05, NLHC provided a subsidy of $2.1 million to offset the repayment of approximately 800 mortgage loans that remain within the federal/provincial mortgage program. Delivery of this program ended in 1991.

COMMUNITY-BASED HOUSING

This business line provides support to social housing initiatives largely in partnership with approximately 100 non-profit, co-operative and health sector housing providers. Most of the approximately 4,900 social housing units under this program are operated directly by individual groups with NLHC holding the mortgage on these properties and providing some level of operating assistance.

- Community-Based Housing Program:
  The corporation provided $10.3 million during 2004-05 in support of its community-based housing units. Approximately 80 percent of the portfolio is occupied by seniors with an average age of 76 years and an average annual income of $12,000

REAL PROPERTY STEWARDSHIP

The objective of the Real Property Stewardship business line is to develop and/or divest of corporate land holdings and to manage other related property interests which are not integral to NLHC's role as a social housing agency. This business line reflects a revised role for NLHC following the 1998 directive to phase out the corporation's involvement in land banking and development. Some of the remaining real property assets covered by this business line are the Southlands residential land development, NLHC interest in sales revenues on lands divested to municipalities, and a small portfolio of leased commercial and industrial rental units. In pursuing this business line, NLHC takes a financially prudent and market-sensitive approach to development, divestiture and management decisions. Recovery of public investment, analysis of public costs and benefits of various options, and impacts on municipalities, developers, small builders/contractors, tenants and other relevant stakeholders are all considered.

- Southlands:
  In 2002-03, NLHC invited proposals from the private sector for the sale and development of Phase II in Southlands. The successful proponent is continuing to pursue development of Phase II.

Performance Against Objectives

GOAL 1: SOCIAL HOUSING FOR THOSE MOST IN NEED

Strategies	Performance Indicators/Measures	Targets 2004/2005	Report of Measures 2003/04	2004/05
1.1 Effective, needs-based placement of tenants in public housing	Number of public housing units operated	5640 households housed	908	724
	Average time taken to house an applicant after a unit becomes vacant	Average 30 days or less vacancy turnaround	41.08 days	35.78 days
1.2 Delivery of rent supplement assistance to households renting in the private sector	Number of households receiving rent supplement assistance	1015 households housed	138 new tenants	136 new tenants
1.3 Maintain and regenerate public housing stock	Average cost to refurbish a vacated public housing unit	Average $1000 or less vacancy refurbishment cost	$1,873	$1,860
	Number of additional accessible units achieved through modifications/renovations	10% increase in the number of accessible units	55 units	41 units
	Number of unit condition reports completed and/or updated	100% of unit condition reports completed	51%	62%
	Percent of maintenance budget allocated to preventative maintenance	5% of maintenance funding directed to preventative maintenance of stock	N/A	9.6%
	Number of oil tanks replaced, upgraded or removed	310 oil tanks replaced, upgraded or removed	122	323
	Number of public housing units with new/upgraded heating systems	$450,000 invested to regenerate heating systems in 100 units*	N/A	130

GOAL 2: HOUSING SUPPLY FOR MODERATE AND LOW -INCOME HOUSEHOLDS

Strategies	Performance Indicators/Measures	Targets 2004/2005	Report of Measures 2003/04	2004/05
2.1 Delivery of Affordable Housing Programs	Number of affordable housing units approved	90 affordable housing units approved	N/A	12
1.2 Delivery of Provincial Home Repair Program	Number of households approved for PHRP assistance	2000 households approved for home repair assistance	2,494	2,395

GOAL 3: SUBSTANTIAL COMMUNITY-BASED HOUSING

Strategies	Performance Indicators/Measures	Targets 2004/2005	Report of Measures 2003/04	2004/05
3.1 Provide operating and/or financial supports to community-based housing providers.	Success in supporting the sustained operation of community-based housing	Continued support of 4,900 community-based housing units	N/A	12

GOAL 4: FISCAL SUSTAINABILITY

Strategies	Performance Indicators/Measures	Targets 2004/2005	Report of Measures 2003/04	2004/05
4.1 Enhance financial management and resource utilization	Extent to which NLHC operations are within budget	100% compliance with NLHC budget 2004/05	Yes	Yes
	Clear definition of heating policy with emphasis on equity of application, economy and integration with subsidized housing and income support benefits	Undertake a review of the social housing heating policy/ program*	N/A	Review completed
	Per cent reduction in the value of arrears in assisted housing accounts	10% reduction in arrears in assisted housing accounts	N/A	11.69%
	Improved capacity to effectively and efficiently deliver and administer housing programs and services	Implement time reporting for regional operations staff	N/A	Implemented in reginal offices

GOAL 5: AN ADAPTIVE AND EFFECTIVE ORGANIZATION

Strategies	Performance Indicators/Measures	Targets 2004/2005	Report of Measures 2003/04	2004/05
5.1 Pursue continuous improvement through excellence in management practices.	Per cent reduction in short-term sick leave utilization	10% reduction in short-term sick leave utilization	14.8 days	12.2 days = 17.6% reduction

Honouring Employees

In June 2004, NLHC awarded the following employees with long-service awards for the 2003 calendar year.

5 Years' Service:
Edward Barrington
Ronald Bursey
Wayne Conway
Wallace Crocker
Joseph Janes
Kenneth Lush
Gary Murphy
David Pitcher

10 Years' Service:
David Joy
Denis King
Jerome Barron
Gerry Caines
Dean Coates
Wayne Parsons
Doug Bennett
Gregory Broderick
Jerome Collins
Heather Harding
John White
Roy Reid.

15 Years' Service:
Bill Conway
David Whelan
Cheryl Morgan
Derrick Walsh
Marilyn Staple
Wanda Howell
Maureen Brewer
Norena Hart
Della Whittle
Mary Marshall
William Hookey
Brian Mercer
Joe Sampson
David Langdon
Theresa Aylward
Janet Tucker
Jessie Cluett
Denise McCarthy

20 Years' Service:
Lorna Kavanagh
Kate Lynch
Ross Seaward
Paul Sweetapple
Albert Power
Ted Blanchard
William Costello
Dilbert Cabot
Edgar Power
Ed Feener
Raymond Belliveau
Wesley Simms
Clayton Goods
Beverly Bursey
Barbara Clarke
Sandra White

25 Years' Service:
Brenda Crawley
Don Murrin
Juanita Ivany
Reg Reddy
Janice Walsh
Frank Pope
Sid Rockwood
Maureen O'Reilly
Arthur Batstone
Gloria Grenning
Lloyd Jenniex
Barry Chard
Nelson Flynn
Ches Boyd
Don Penney
Raymond Power
Max Vere-Holloway
Barbara Brown
Barry Tucker.

30 Years' Service:
John Halliday

2003 Retirees:
Bill Allen,
Wayne Noftall
Toni Daley
Ed Attwood
Margaret Ivany
Willis Manuel
Harold Wells
Don O'Keefe
Ron Gill
Joe Janes

Sitting L-R: Kate Lynch, Barbara Clarke, Sandra White
Standing L-R: Paul Sweetapple, Ross Seaward, Ted Blanchard

Scholarship Program

Each year, NLHC awards nine educational scholarships to adult clients, children of clients and children of employees in the Avalon/Eastern, Central and Western/Labrador regions. The scholarships are worth $1,000 each, and in the children's category are awarded based on the results of the Provincial Scholarship Exam. Winners of the adult scholarships are selected based on an interview that assesses initiative as well as community and work experience. The 2004 scholarship winners* are:

Clients' Children
Heather Marshall-Ryan, St. John's
Jade Callahan, Lewisporte
Nikita Small, Main Brook

Employees' Children
Christopher Hanlon, St. John's
Sarah Tubrett, Grand Falls-Windsor
Tonya McLean, Labrador City

Adult Clients
Eleanor Duke , St. John's
Jacqueline Shannahan, St. John's
Sheila Hillier, Corner Brook

**Scholarship winners' names are only published with their consent.*

Ongoing Challenges & Opportunities

As with any government department, social, fiscal and economic challenges often impact the programs and services delivered to clients. NLHC has some of the oldest social housing stock in the country, and the ability to upgrade and renovate this housing portfolio has presented significant challenges over the years, as it tries to work within well-defined funding levels. Add to this, changing demographics such as population shifts, family compositions, increasing energy costs and an overall aging population with a growing need for accessible and supportive housing, have contributed to these challenges.

Opportunities to address these challenges do exist, and the Canada-Newfoundland and Labrador Affordable Housing Agreement is one such opportunity. This joint federal/ provincial program provides total funding of $30 million to help create approximately 600 affordable rental housing units in the province over a four-year period. Phase II of this program is currently being negotiated.

NLHC continues to seek opportunities to maximize program and policy benefits through its ongoing partnerships with 100 private-sector and community-based groups throughout the province. Inter-agency collaboration is essential to addressing social housing needs, and, NLHC participates in various departmental government committees such as the Inter-departmental Committee of Social Supportive Housing, which it chairs.

Auditor's Report

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Housing Corporation as at 31 March 2005 and the statements of revenues, expenses and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, C.A.
Auditor General

St. John's, Newfoundland and Labrador
24 June 2005, except as to Note 2 which is as of 4 August 2005

Balance Sheet

31 March 2005	2005 (000's)	2004 (000's)
ASSETS		
Accounts receivable (Note 3)	$ 1,337	$ 1,603
Due from Canada Mortgage and Housing Corporation (CMHC)	53	959
Due from the Province of Newfoundland and Labrador - Labrador Housing Programs (Note 4)	6,569	7,266
Inventory and prepaid expenses (Note 5)	3,338	3,184
Mortgages and loans receivable (Note 6)	31,960	37,264
Receivable from municipalities re: land transfers (Note 7)	2,753	2,895
Repossessed units (Note 8)	7	45
Land assemblies (Note 9)	7,952	8,452
Rental properties (Note 10)	227,564	235,615
Capital assets (Note 11)	5,610	5,916
	$ 287,143	$ 303,199
LIABILITIES AND EQUITY		
Bank indebtedness	$ 2,654	$ 6,148
Accounts payable and accrued liabilities	7,780	7,274
Due to Canada Lands Corporation (CLC)	58	745
Deferred revenue (Note 12)	945	1,045
Group health and life insurance retirement benefits (Note 13)	9,432	9,179
Capital replacement fund (Note 14)	8,008	7,599
Mortgage insurance fund (Note 15)	3,393	3,407
Mortgages, debentures and similar indebtedness (Note 16)	44,524	51,000
CMHC investment in cost-shared programs (Note 17)	152,503	161,701
	229,297	248,098
Equity		
Contributed capital—Province of Newfoundland and Labrador (Note 18)	62,861	62,861
Deficit	(5,015)	(7,760)
	57,846	55,101
	$ 287,143	$ 303,199

Contingent liabilities (Note 19)

Commitments (Note 20)

See accompanying notes

Signed on behalf of the Board: _____ Chairperson _____ Member

Statement of Revenues, Expenses & Deficit

For the year ended 31 March 2005	2005 (000's)	2004 (000's)
REVENUES		
CMHC (Note 22)	$ 60,730	$ 57,827
Rent	19,573	19,473
Province of Newfoundland and Labrador operating grant	9,910	11,125
Interest	8,240	8,912
Land assemblies sales	597	1,632
Profit from land sales by municipalities	288	-
Other income	245	178
	99,583	99,147
EXPENSES		
CLC share of land assemblies profits	49	627
CMHC share of interest revenue	1,170	1,407
Grants to homeowners	7,728	6,500
Community based housing operating subsidies	10,250	10,737
Interest expense	4,089	3,564
Land assemblies costs (Note 9)	463	741
Losses on mortgages, loans and repossessions	261	169
Loss from land sales by municipalities	-	36
Loss on sale of rental properties	190	61
Mortgage subsidies	2,053	2,275
Net administration (Note 23)	14,068	16,136
Rent supplement subsidies	3,485	3,426
Rental unit expenses (Note 24)	52,144	52,150
Rental properties write-down	418	237
Rental properties write-off	470	-
	96,838	98,066
Excess of revenues over expenses	2,745	1,081
Surplus (deficit), beginning of year, as previously reported	(7,760)	338
Adjustment for group health and life insurance retirement benefits (Note 2)	-	(9,179)
Deficit, beginning of year, as restated	(7,760)	(8,841)
Deficit, end of year	$ (5,015)	$ (7,760)

See accompanying notes

Statement of Cash Flows

For the year ended 31 March 2005	2005 (000's)	2004 (000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 2,745	$ 1,081
Add (deduct) non-cash items:		
Mortgage subsidies	2,053	2,275
Losses on mortgages, loans and repossessions	261	169
Amortization of rental properties (Note 24)	6,144	5,625
Amortization of commuity based housing	567	515
Amortization of Labrador Housing Programs	837	697
Market value write-down of rental properties	418	237
Write-off of rental properties	470	-
Loss on sale of rental properties and capital assets	190	61
Amortization of capital assets	360	506
CLC portion of non-cash items	49	627
CMHC portion of non-cash items	1,029	660
Group health and life insurance retirement benefits (Note 13)	253	-
	15,376	12,453
Net change in other operating items	1,774	2,065
	17,150	14,518
Cash flows from investing activities:		
Advances of mortgages and loans	(2,364)	(2,595)
Principal recoveries of mortgages and loans	5,392	5,597
Investment in rental properties	(49)	(112)
Sale of rental properties	311	1,017
Investment in capital assets	(54)	(18)
Labrador Housing Programs	(140)	(1,339)
	3,096	2,550
Cash flows from financing activities:		
Repayments of mortgages, debentures, and similar indebtedness	(6,476)	(9,381)
Increase in CLC investment in land	1	60
Increase in CMHC investment in cost-shared programs	-	203
Repayments of CLC investment in land	(50)	(892)
Repayments of CMHC investment in cost-shared programs	(10,227)	(10,168)
	(16,752)	(20,178)
Decrease (increase) in bank indebtedness	3,494	(3,110)
Bank indebtedness, beginning of year	(6,148)	(3,038)
Bank indebtedness, end of year	$ (2,654)	$ (6,148)

See accompanying notes

Notes to Financial Statements

31 March 2005

AUTHORITY

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs and interest.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Notes to Financial Statements

31 March 2005

1. Significant accounting policies (cont'd)

(d) Rental properties (cont'd)

Non-profit housing
- Capital cost . . . . . .Sinking fund, 25-50 years
- Renovation costs . . . . . .Sinking fund, 15 years

Market housing
- Capital cost . . . . . .2% declining balance
- Renovation costs . . . . . .Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected future useful life of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Computer hardware	Straight line, 3 years
Computer software	Straight line, 10 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

2. Accounting change

Group health and life insurance retirement benefits

Due to changes in accounting standards approved by the Canadian Institute of Chartered Accountants, an actuarial review was undertaken to determine the Corporation's liability related to group health and life insurance retirement benefits. This accounting change was applied retroactively without restatement of the prior year with respect to the statement of revenues, expenses and deficit. The balance sheet as at 31 March 2004 was restated with a resulting increase to the total liabilities and deficit of $9,179,000.

The Corporation has established its liability related to group health and life insurance retirement benefits as at 31 March 2004. The increase in the liability for 2005 has been recognized as employee benefits expense by the Corporation.

Notes to Financial Statements

31 March 2005

3. Accounts receivable

	2005 (000's)	2004 (000's)
Land sales, net of allowance for cancellations of $1,375,864 (2004 - $1,375,864)	$ -	$ 942
Rents	203	211
Miscellaneous	1,259	593
	1,462	1,746
Less: allowance for doubtful accounts	125	143
	$ 1,337	$ 1,603

4. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Battle Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2005 the amount due from the Province was $6,569,000 (2004 – $7,266,000).

5. Inventory and prepaid expenses

	2005 (000's)	2004 (000's)
Inventory	$ 481	$ 356
Prepaid expenses	2,857	2,828
	$ 3,338	$ 3,184

6. Mortgages and loans receivable

	2005 (000's)	2004 (000's)
Subsidized mortgages to homeowners	$ 13,751	$ 17,309
Residential Rehabilitation Assistance Program loans	11,883	13,952
Provincial Home Repair Program	8,056	7,889
Other mortgages and loans	2,619	2,703
	36,309	41,853
Less: allowance for impaired accounts	4,349	4,589
	$ 31,960	$ 37,264

Notes to Financial Statements

31 March 2005

6. Mortgages and loans receivable (cont.)

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

7. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2005, twenty agreements have been completed for the transfer of lands to municipalities at a carrying value of $2,753,000 (2004 - $2,895,000).

8. Repossessed units

	2005 (000's)	2004 (000's)
Repossessed units	$ 24	$ 147
Less: allowance for impairment	17	102
	$ 7	$ 45

9. Land assemblies

	2005 (000's)	2004 (000's)
Land assemblies, beginning of year	$ 8,452	$ 8,404
Cost incurred during the year:		
Land acquisition and development	(175)	230
Interest, capitalized	138	559
	8,415	9,193
Less: cost of earned sales recognized during year	463	741
Land assemblies, end of year	$ 7,952	$ 8,452

Notes to Financial Statements

31 March 2005

9. Land assemblies (cont'd)

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September 1998, the Province directed the Corporation to divest of the majority of its land holdings.

10. Rental properties

	2005				2004
	Cost	Accumulated Amortization	Write down to Net Recoverable Amount	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)	(000's)
Non-profit housing					
- Capital cost	$ 262,057	$ 41,908	$ 655	$ 219,494	$ 227,011
- Renovation costs	4,980	1,292	-	3,688	4,070
Market housing					
- Capital cost	6,711	2,490	-	4,221	4,373
Leased land	161	-	-	161	161
	$ 273,909	$ 45,690	$ 655	$ 227,564	$ 235,615

11. Capital assets

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)
Office buildings	$ 7,499	$ 2,376	$ 5,123	$ 5,227
Furniture and office equipment	133	71	62	76
Computer hardware	82	32	50	14
Computer software	808	606	202	279
Vehicles	1,838	1,665	173	320
	$ 10,360	$ 4,750	$ 5,610	$ 5,916

Notes to Financial Statements

31 March 2005

12. Deferred revenue

	2005 (000's)	2004 (000's)
Rentals	$ 945	$ 1,045

Deferred revenue rentals consist of rental payments received by the Corporation in advance of the due dates.

13. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for both the life insurance and health benefits under the plans. As at 31 March 2005, the plans provided benefits to 143 retirees.

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	Unamortized Experience Losses 2005	Net Liability 2005	Net Liability 2004	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 8,825	$ (548)	$ 8,277	$ 8,030	$ 247
Group life insurance retirement benefits	1,175	(20)	1,155	1,149	6
	$ 10,000	$ (568)	$ 9,432	$ 9,179	$ 253

There are no fund assets associated with these plans.

Group health and life insurance retirement benefits expense

In these statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Notes to Financial Statements

31 March 2005

13. Group health and life insurance retirement benefits (continued)

	Corporation's Share of Current Period Costs	Interest Expense on the Liability	Corporation's Current Period Contributions	Current Period Amortization of Experience Changes	Change
	(000's)	(000's)	(000's)	(000's)	(000's)
Group health retirement benefits	$ 154	$ 548	$ (455)	$ -	$ 247
Group life insurance retirement benefits	47	76	(117)	-	6
	$ 201	$ 624	$ (572)	$ -	$ 253

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2005 resulted from a change in the discount rate used by the actuaries.

14. Capital replacement fund

In accordance with program guidelines for non-profit and urban native housing projects, sponsor groups are required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	2005 (000's)	2004 (000's)
Balance, beginning of year	$ 7,599	$ 7,362
Annual funding provisions	541	500
Capital replacement expenditures	(132)	(263)
Balance, end of year	$ 8,008	$ 7,599

Notes to Financial Statements

31 March 2005

15. Mortgage insurance fund

Upon signing the Canada–Newfoundland Social Housing Agreement (see Note 22), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2005 (000's)	2004 (000's)
Balance, beginning of year	$ 3,407	$ 2,654
Losses for the year	(14)	(23)
Mortgages transferred to mortgages and loans receivable	-	776
Balance, end of year	$ 3,393	$ 3,407

The fund covers a portfolio of federal loans totaling $172,716,166. The majority of these loans relate to either Social Housing projects that receive significant federal/ provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

16. Mortgages, debentures and similar indebtedness

	2005 (000's)	2004 (000's)
With fixed terms of repayment		
(a) CMHC fixed rate term debentures, at an interest rate of 6.22% repayable in blended annual instalments of $2,483,256, with final due dates ranging from December 2021 to January 2030.	$ 28,557	$ 29,275
(b) Canadian Imperial Bank of Commerce fixed rate bankers acceptances, at an interest rate of 3.16/3.45/3.18%, due on 25 April 2005.	15,967	21,725
	$ 44,524	$ 51,000

Notes to Financial Statements

31 March 2005

16. Mortgages, debentures and similar indebtedness (continued)

Principal repayments for the next five years on the $44,524,000 of debt with fixed terms of repayment are as follows:

	(000's)
2006	$16,722
2007	$ 804
2008	$ 854
2009	$ 908
2010	$ 968

17. CMHC investment in cost-shared programs

	2005 (000's)	2004 (000's)
Non-profit rental housing	$ 91,100	$ 91,988
Rural and native housing	52,073	58,187
Home repair assistance	9,330	11,526
	$ 152,503	$ 161,701

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada–Newfoundland Social Housing Agreement signed in April 1997 (see Note 22).

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

18. Contributed capital — Province of Newfoundland and Labrador

Contributed capital represents accumulated capital advances made to the Corporation by the Province. These advances are utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

19. Contingent liabilities

(a) Claims have been filed against the Corporation for:

(i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex.

Notes to Financial Statements

31 March 2005

19. Contingent liabilities (continued)

(ii) $100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses.

(iii) Special damages related to an alleged breach of contract and/or negligence relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

(b) The Corporation has provided guarantees on outstanding mortgage balances totaling $609,370 for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.

(c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000.

(d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000.

(e) During 1999, the Corporation learned of possible environmental liabilities relating to 16 underground fuel tanks in its Buckmaster's Circle rental property. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $309,000.

(f) During 1999, the Corporation learned of possible environmental liabilities relating to 70 underground fuel tanks in some of its rental properties throughout the Province. The scope and extent of the environmental remediation required will be determined as the tanks are replaced. In accordance with environmental regulations, the tanks will be replaced by 2007.

Notes to Financial Statements

31 March 2005

20. Commitments

The Corporation has commitments totaling $1,317,562 comprised of uncompleted purchase and construction contracts at year end of $408,000 and commitments under lending programs of $909,562.

21. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of accounts receivable, due from CMHC, bank indebtedness, accounts payable and accrued liabilities, and due to CLC. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the short-term financial instruments.

The Corporation's long-term financial instruments recognized on the balance sheet consist of due from the Province of Newfoundland and Labrador—Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. Any estimated impairment of mortgages and loans receivable and receivable from municipalities re: land transfers is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables. Interest rates on the majority of mortgages and loans receivable and on mortgages, debentures and similar indebtedness are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

22. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2005 (000's)	2004 (000's)
1997 Canada–Newfoundland Social Housing Agreement	$ 54,729	$ 54,780
Provincial Home Repair Program	5,712	2,584
Residential Rehabilitation Assistance Program	276	448
Mortgages	13	15
	$ 60,730	$ 57,827

On 22 April 1997, the Corporation signed the Canada–Newfoundland Social Housing Agreement with CMHC replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

Notes to Financial Statements

31 March 2005

23. Net administration

	2005 (000's)	2004 (000's)
Advertising and promotion	$ 55	$ 77
Computer system costs	960	1,140
General	402	421
Office equipment leases	46	56
Office equipment purchases	34	28
Office supplies	145	143
Rent, heat, light, cleaning and maintenance	984	1,264
Salaries and employee benefits	10,821	12,345
Telephone and postage	314	339
Travel and vehicle costs	320	360
Total administration	14,081	16,173
Less: recharged to capital projects	13	37
Net administration	$ 14,068	$ 16,136

24. Rental unit expenses

	2005 (000's)	2004 (000's)
Amortization	$ 6,144	$ 5,625
Bad debts	177	161
Heat, light and operating	8,713	7,802
Interest on long-term debt	20,258	21,019
Municipal taxes	4,474	4,366
Repairs and maintenance	12,378	13,177
	$ 52,144	$ 52,150

25. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2005 was $910,000 (2004 - $986,000).

Notes to Financial Statements

31 March 2005

26. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental unit expenses.

27. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributes approximately 10% of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

28. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Corporate Directory (for the fiscal year 2004-05)

Minister Responsible for Housing

Honourable Joan Burke

Board of Directors

Leslie Dean	Chairman and Chief Executive Officer
Rick Abbott	Member
Jeffrey D. Follett	Member
Carla Hancock	Member
Basil Hickey	Member
Michael Lee	Member
Jim Parrott	Member
Barry Sheppard	Member
Kay Woodward	Member

Senior Management

Leslie Dean	Chairman and Chief Executive Officer
Mary Marshall	Chief Operating Officer
James Conway	Chief Financial Officer
Glenn Goss	Director, Human Resources
Gerry Kennedy	Executive Director, Programs
Richard Magill	Director, Information Systems
Paul Power	Corporate Secretary and Director Administrative Services
Clyde Thornhill	Director, Technical Services
Elizabeth Bourgeois	Director, Corporate Planning and Research

Regional Offices

Paul Abbott	Regional Manager, Marystown
Gordon Bailey	Regional Manager, Grand Falls
Emile Cabot	Regional Housing Director, Avalon Regional Office
Norman Feltham	Regional Manager, Gander
Nelson Flynn	Regional Manager, Goose Bay
Allan Reid	Regional Manager, Stephenville and Acting Regional Manager, Corner Brook

Head Office and Regional Operations

Head Office

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Telephone: (709) 639-5201
Facsimile: (709) 639-5206

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